

**Transcript of Joint Press Conference:
Brazilian Foreign Minister Celso Amorim
and
U.S. Trade Representative Robert B. Zoellick
at the Ministry of Foreign Relations, Brasília, Brazil
May 28, 2003**

Moderator: Good afternoon. We will start the press conference. I would ask you, please... Minister Amorim will give a brief presentation, as will the U.S. Trade Representative. I would like to ask that immediately after the remarks those who wish to ask questions go to the microphones on the sides, introduce yourselves, and state the news organization you work for. Thank you.

Minister Amorim: Good afternoon. First, I wish to thank the United States Trade Representative, Ambassador Zoellick, for visiting Brazil. Both the United States and Brazil... have naturally a special responsibility for advancing the FTAA process not only because they are two large economies, but also because we co-chair the FTAA negotiations at this point. Our meeting was not a negotiation. We explored ideas. Ambassador Zoellick brought some new ideas about which he may talk a little bit later. We also have a few new ideas. We could verify that the distance between each other's ideas isn't as great as one might assume from the media. In many cases, it is a matter of emphasis. For instance, I had the chance to explain that our approach to the "4+1" isn't necessarily an approach to replace the FTAA, but an approach that aims to focus on some aspects that interest us most, such as market access, in a negotiation process between Mercosul and the United States, to a certain extent, as a consequence of the fact that the U.S. has already made different offers to various regional groups.

I made it clear that it isn't in our interest to abandon the FTAA process. But, in the same way that the United States has issues that are extremely sensitive to them – especially issues of systemic nature that they think can only be dealt with at the WTO – Brazil and our partners of Mercosul also have sensitive issues that would be better advanced in a multilateral global arena, rather than in a purely regional or hemispheric arena. Actually, most of the issues that are sensitive to us are those that don't fit in the traditional trade definitions. They are issues that have to do with new topics, such as intellectual property rights, investments, services, and government procurement.

But we were pleased to see that the U.S. government values the role played by Brazil, not only as co-chair, but also as partner in the FTAA process, and because of that brought new ideas. I don't want to say that all problems or differences have been settled, but I think it was an honest and clear meeting, each of us talked about our problems, each of us sought solutions, with an attitude of pragmatism and cooperation, aiming to find the best way to make it possible for the FTAA process – if all other issues run smoothly, that has to be said – to be finalized in the deadline that was initially agreed upon.

These are my opening remarks and I would ask Ambassador Zoellick to say a few words before we start to answer your questions. We will answer two or three questions. We really don't have much time.

Ambassador Zoellick: Thank you very much, and I presume that you are getting the translation into Portuguese. I want to begin by thanking my friend Celso Amorim for being such a gracious host. This is my third visit to Brazil in my tenure and I benefit each time from the insights and the conversations we have. I want to start by expressing, as I did to the Minister and his colleagues, the high degree of respect that we have for the first steps of the Lula administration in developing a very strong economic and financial program. We recognize there is important work ahead dealing with the social security and the tax reform issues, but also the President's social agenda, including his 'Zero Hunger' program.

As Minister Amorim mentioned, the primary purpose of this visit for me was to follow-up on a suggestion I made at the time of President Lula's inauguration that I return to discuss with Brazil as our co-chair and partner how we can move forward the Alca [FTAA] negotiations. And, as you know, this was the key session for me because Minister Amorim and his team at the Foreign Ministry are the ones in charge of the negotiations on Brazil side and I found the discussions to be very constructive. As the Minister said, we brought some ideas, we had a working session. We in the United States will be hosting a mini-ministerial of about 13 ministers from the Alca [FTAA] countries in mid-June, and I wanted to share some of our ideas and get the thoughts from Brazil about that session. And we are very committed to pressing forward with this negotiation because we are well aware this is a sensitive time for the international economy and – as Minister Amorim and I discussed, and I know President Lula has met with many leaders throughout the hemisphere – it is a sensitive time for the hemisphere as well.

It is a challenge because this negotiation involves some 34 countries of different size, very different types of economies, and of that group obviously Brazil and Mercosul play a particularly important role. And as the Minister did – since I know the topic of Mercosul and the involvement of those four countries is very important – I want to make very clear our position and interest in this. First, as I mentioned yesterday, I was at the State Department in 1992 when we initiated the first “4+1” discussions. And I was in my present job when, at the suggestion of Brazil and others, we reinitiated and reactivated those discussions. And we find those to be a very useful process because, as I mentioned to the Minister, there has been turmoil all throughout the hemisphere and the Southern Cone and we recognize the important stabilizing and steady role that Mercosul plays.

We also feel that Brazil and the United States as co-chairs obviously have an interest in the overall region, all of South America, the Alca [FTAA] process, and President Lula has demonstrated this in his comments and his initiatives. So, one of the points that the Minister and I discussed is how to deal with the “4+1” within the framework of the Alca [FTAA] negotiations and to try to see how, within a goal of moving forward the overall hemisphere, how we could also work with the four countries of Mercosul, recognizing

again that Brazil, like the United States, has multiple interests within the hemisphere and within South America as well. So, I thought we had a good discussion of that.

We also talked about the WTO and the Doha Development Agenda. Here again, the United States and Brazil share a very strong interest in moving forward agricultural liberalization and it is another area where we share this interest with the Mercosul countries, because the United States has put forward an aggressive proposal to cut domestic subsidies and to eliminate export subsidies. President Bush and President Lula will both be going to a G-8 meeting soon where this will be one of the topics on the agenda. But I think the larger message here is – whether it is the Mercosul, whether it is Alca [FTAA], whether it is the WTO – I told him it is very important to return to Brazil to have discussions here because Brazil is an essential hemispheric partner.

It is important that we deepen what is already a good relationship, and the best way to do that is the type of discussions we have, where we have good serious talks about the items that we think are opportunities but also political sensitivities. In that spirit, I just want to close by saying that I am delighted that our presidents will have the chance to meet in Washington later in June and just to show the active contact we have, the Minister and I will obviously be even meeting before that at this mini-ministerial. So I want to thank him and his team. I am leaving with an additional positive sense. These trade negotiations are never easy – the Minister and I have both known this from the WTO and the Alca [FTAA] negotiations. But I think if we can progress in the sort of spirit we've had today, I believe we can accomplish something that could be very important for the two countries and the hemisphere.

Moderator: Questions, please....

Question (Eliane Oliveira – *O Globo*): First, I would ask the Ministers to be more specific about the new ideas and if it would be a new idea to start discussing the “4+1” under the perspective of market access, and to take into account not only trade or FTAA, but issues such as investments, and government purchases – issues that are sensitive for Brazil – within the “4+1.” What are these new ideas?

Ambassador Zoellick: Since we brought some of these ideas, let me take a crack at this to start. As I discussed with the Minister and his colleagues, we've been trying to listen closely to the concerns of Brazil given the pace of work at the WTO, some of the sensitive development aspects in Brazil, some of the interests of Mercosul. And so, we have tried to come up with some ideas about how we can advance what we both call the pragmatic agenda to move forward the Alca [FTAA]. Now, I am sorry I can't go into great detail, but it gives you a sense of really the kind of trusting working session we had where we are trying out some of these ideas informally hoping to get some additional feed-back from Brazil, and we also obviously feel we need to discuss these with others in the region, which I hope we'll do later in June.

On your particular point about Mercosul within the Alca [FTAA], I was very pleased to hear the point that Minister Amorim made and I believe President Lula has made, which

is that Brazil is trying to strengthen the Mercosul at the same time it is trying to promote the Alca [FTAA]. Now, as some of you may know, in the area of some of the market access discussions of goods and services, our initial offers already took this into account. And so it certainly would not be a surprise if Mercosul, in its own discussions, negotiates some of these topics as a group. What we are also in the process of discussing is how some of the other topics that you mentioned – investment, intellectual property, other topics like that – can be best addressed in this negotiation, given the other things we have going on in the WTO and in the overall bilateral agenda, because our goal here is something I think we both agree is very important, which is to use trade as a lever of development and economic growth. In this context, I think we shared some important ideas about how we can benefit our countries as well as South America and all the hemisphere with that agenda.

Minister Amorim: Only adding, and not getting into detail – especially since these issues are still being discussed and are the object of reflection – I believe I may say that we both agree that there are three tracks: there is the multilateral track of FTAA; there is the “4+1” track, which basically is market access; and there is another track, the WTO track, for issues that both Brazil and the U.S. prefer to discuss at the WTO. What is left for us to agree upon within this pragmatic approach that was brought to us – and ours is also a pragmatic approach – is what goes on each track.

We mentioned here issues that are sensitive for Brazil, such as intellectual property rights, but there are also sensitive issues for the United States in which we are very interested, such as anti-dumping. So we have to sort and see what have we have left... We all agree that there has to be a framework agreement for FTAA. Our position is that the lighter the framework agreement, the easier it will be to conclude it within its deadline. But obviously we have to work out the details and have to consult other countries, as Ambassador Zoellick said. But what we both agree, and I think this is not a secret, is that we would do as soon as possible an exercise on both parts to find out methodologically what each of us think that can be included within the “4+1,” such as market access, what can be included in the FTAA framework, and what is so sensitive that has to be dealt with on a further occasion or within the WTO.

Question: (André Barrocal – *DCI*): The Brazilian government always thought that bilateral negotiations with the U.S. weakened the great FTAA negotiations. Early next month the U.S. and Chile will sign a bilateral agreement. I would like to know from the Minister the Brazilian government’s opinion with respect to this, and if this agreement will cause any strategic change in this negotiation for the Brazilian government. I would also wish to hear Ambassador Zoellick's comments about this issue.

Minister Amorim: Chile obviously is a sovereign country and negotiates agreements that may be of interest to them. Ambassador Zoellick knows that the agreement with Chile that may be interesting for Chile isn't necessarily a model for an agreement between us. But we respect the interest and individuality of each country. One of the issues that we have to consider when deciding what goes into a general agreement and what goes in a “4+1” agreement, is precisely this: the possibility of an excessive

fragmentation of agreements within the hemisphere, which I think could be harmful to the United States, to Brazil or to the whole region. So, this is what we have to consider.

Ambassador Zoellick: First, let me say we are very proud of the agreement we negotiated with Chile, and I look forward to signing it, I believe on June 6, with my colleague Minister Alvear. From our own discussions with our Congress, I hope we will be able to move it forward promptly with our Singapore agreement as well; that obviously depends on Congress' schedule. We obviously already have other agreements with the hemisphere. We have an agreement with Canada and Mexico; we are negotiating an agreement with Central America; and as the Minister mentioned, we also do this in the context of our global negotiations. So, some of the questions we were discussing here – because, recall, Brazil and the United States are co-chairs of the Alca [FTAA] – is how do we move forward the Alca [FTAA] process.

Now, Brazil has separate agreements with countries, not only as part of Mercosul – Mercosul has an agreement with Chile, I believe Brazil and Mercosul have been discussing other arrangements with Mexico and others, and just to add to the complexities, some of these are even one country within Mercosul doing an agreement with another Latin American country. So, there is a mixture of this, and I think what was very useful today was that we both have a strong commitment to moving the Alca [FTAA] process forward. We've suggested some ideas on how we could do that more pragmatically and within that context try to see also how Brazil and the Mercosul countries can deepen their integration within a southern hemispheric and western hemispheric and global integration. So, I know there is a tendency to pit one against the other, but I think the real challenge is how these become mutually supportive, because our fundamental goal is opening markets to support growth and development.

Question (Sérgio Léo – *Valor Econômico*): I would like to know from the Secretary what kinds of themes he believes could be addressed within a “4+1” negotiation, and I would like the two of you to speak a little about the conclusions you have reached on your talks regarding the WTO. If indeed, as it seems, the negotiations are pending on the decisions the European Community will make regarding their Common Agricultural Policy, or if it is possible to advance on issues where the countries did not reach an agreement and missed their deadline earlier this year?

Ambassador Zoellick: Well, to take your Mercosul question first, as I mentioned in my earlier answer, the United States has had this “4+1” framework for over 10 years, that we've addressed a whole host of issues: sometimes they're generalized system of preferences issues, sometimes they're coordinated in the WTO, or they're market access topics. We expect, and our own offer in the Alca [FTAA] suggested this, that in the market access areas – at least of goods and agriculture – that it would be very natural for the Mercosul countries to work as a group. That's obviously up to them, that's not our decision. And as the minister said, we will discuss other items, where we will deal with countries both hemispheric-wide and as a group, so that's an evolving discussion.

On the WTO negotiations, I think you're correct. I think agriculture is absolutely fundamental. The minister and I were at a meeting in Paris associated with the OECD meetings not long ago, and together we and other ministers outlined some of the key areas that can move forward in goods and other topics as well, but it really does depend on movement in agriculture, and this does depend on whether the European Union makes some reforms on the Common Agricultural Policy. Frankly, it's the U.S. position – I'll let Brazil speak for itself – that those reforms are necessary, and they are not necessarily sufficient. There are other areas where we need to get movement. I think it is fortuitous that both our presidents will be going to Europe, talking to some European member states, because it's the European Commission that has put forward some proposals to reform the Common Agricultural Program which would at least give us something to work with, and now it's a question of whether the member states will be supportive.

As for your question about whether other items can move forward if agriculture doesn't: the key point is – as I've said and I know Celso was very articulate about this in Paris – agriculture is fundamental for a successful Doha negotiation – and not only for much of Latin America, but for North America, much of Southeast Asia and Africa – and I really find it very difficult to see how we'll make significant progress, unless we can move towards a substantial reform of agriculture in the Doha agenda. And remember, the Uruguay Round which was completed in 1994 just made a first cut at this, it just started to impose some disciplines, so agriculture is far behind the goods sector and frankly we have to have it catch up.

At the same time, what I've been trying to do in Europe over the past couple of weeks is to try to show that there can be progress in other areas, like goods, so that if the Europeans move on agriculture they can see the benefits for their businesses more generally. So the challenge is, frankly, how to bring everybody along – within a few days I'm gonna be headed off to a meeting of the Asia-Pacific Economic Cooperation Group, so I'll be discussing this with countries from the Asia-Pacific – so, how do we bring everybody along, but at the end of the day, we're going to have to get more movement on agriculture.

Minister Amorim: Well, very briefly I would like to do the reverse, beginning with the WTO, which we naturally have discussed. I believe our positions are quite close in regard to the centrality of the agricultural theme. We may have some tactical differences of how to get the European Union to make its position more flexible. We agree that reforming the Common Agricultural Policy may not be a sufficient condition, but it is a necessary condition, for progress to be made in agriculture, and we will also be making our bilateral interventions and demarches, beyond what we spoke at the multilateral forum. On this I would say that we have, if not total absolute coincidence, at least a good proximity of positions between the interests of the United States and Brazil, and Mercosul in general, although, and I repeat, there may be some slight difference in tactics.

In regard to the other issue, I had already addressed it before, how we see the Mercosul question, but I would like to add a political aspect. President Lula has always said that

Mercosul and South America are absolute priorities in our foreign policy. Ambassador Zoellick himself mentioned that in certain cases there have been separate agreements in the past between Mercosul countries and third countries – that is something we really want to avoid. We would like Mercosul to be able to act in a unified manner. So this is also a very important strategic aspect. And it is clear and I would like to say that when we speak of “4+1,” that’s because the real Mercosul today, the economic and trade Mercosul, so to speak, is formed by four. Our hope is that it could be formed by five or six. We have to take that into account in these multilateral FTAA and WTO negotiations.

And another aspect of our conversation, as a backdrop, is that Brazil, especially under President Lula’s administration, has a stabilizing role to play in the region. I believe this has been recognized, and I don’t think I’m being immodest to say it. We have the desire and the interest to help whenever we are requested. And I believe that the maintenance of a united South America, beginning with a united Mercosul, because a united Mercosul is an already existing nucleus in the economic, trade and – in a certain form – political sense, and is an essential aspect of our foreign policy. All these things also go together.

Moderator: I don’t know if Ambassador Zoellick still has the time....

Question (Andre Soliani – *Folha de São Paulo*): I would like to ask Ambassador Zoellick the following: if the United States would accept closing a “4+1” market access agreement before the end of the FTAA negotiations, or if “4+1” market access is contingent on the FTAA negotiations, or some kind of ‘single undertaking’ involving the “4+1”? To Minister Amorim, I would like to ask: the Brazilian government has been giving clear signs that it is not satisfied with the way the FTAA has been progressing. After this meeting, how does Brazil see this negotiation? Has space opened up to really advance the negotiations, or are we still in a situation where we don’t know whether it will be possible to get to 2005 with a finished agreement?

Minister Amorim: If Ambassador Zoellick would allow me, I would like to address the first question. I’ve commented on this with him before. If you ask the wrong question, you can’t get the right answer. The idea that Brazil would want to conclude a “4+1” agreement before the FTAA is not a proposal that exists. We have made no such proposal, so it is not up to Ambassador Zoellick really to say whether he would accept it or not. This proposal has never been made. When we speak of “4+1,” it is a matter of focus or emphasis, just as I explained it initially. So this question can’t have a right answer because the question has been misplaced. I’m sorry to say this. Perhaps it is due to a lack of clarity on our part, but we never sought to say that it would be a “4+1” before or independently from the FTAA. The issue is knowing what would go into each of the three tracks I mentioned....

Journalist: I’m sorry, minister, but during the meeting you had with President Lula last Monday....

Ambassador Zoellick: Excuse me....

Journalist: Sorry... It's that, on this meeting....

Ambassador Zoellick: Pardon? I'm sorry, the gentleman asked a question to me.

Journalist: I know, but it's exactly on this issue. Excuse me, Ambassador.

Minister Amorim: You may ask later. We'll answer your question. Let the Ambassador speak first.

Ambassador Zoellick: If you would have just been patient, because I think you may all be interested in this, I was just going to associate myself exactly with what Minister Amorim said in the answer to the question, which shows the degree of our agreement.

Question: (Denise Crispim Marim – *O Estado de São Paulo*): Minister, please excuse me, but after Monday's meeting between President Lula and all his ministers in the trade area, you left the meeting saying that Brazil would "explore the '4+1' path." This was very clear to us – or at least what we understood from this sentence – is that Brazil was betting primarily on this formula, more than on the FTAA. That's why I made this intervention, because to me the response you gave sounded quite surprising, that this "4+1" proposal wasn't even formally presented to Ambassador Zoellick.

Minister Amorim: Excuse me, I will try once again to make this clear. I have said that the "4+1" is not in place of the FTAA. It is a matter of focus. What we said was that we would explore to the maximum, to deepen the possibilities of the "4+1," for two reasons. First, because we want to strengthen Mercosul...as a matter of fact, for three reasons: first, because we want to strengthen Mercosul; second, because the main focus of our interest is on market access, and the market access issue by its very nature, as has been said here, tends to be resolved bilaterally – the offers were differentiated; and third, because there are issues that are sensitive to us, just as there are sensitive issues for the United States, which in the multilateral format of the FTAA... are difficult to reach a consensus. There are 7,000 brackets [in the text] there. This does not mean that we will abandon the FTAA process. What we will discuss is what has to effectively remain there, what can go into the "4+1," and what we have to leave either for the WTO or for later.

Ambassador Zoellick: I apologize because I have another meeting with a minister that I'm already late for, but let me just leave one thought for you to consider on this. As I've read about the debate in the Brazilian press about some of these issues, it strikes me as often having an over-focus on the structural. Please keep in mind that it's our aim – and I think that of Brazil and others – to try to open markets, and that's what we spent most of our time talking about: how to move this forward in a way that can open markets to help growth, development, and to do so in different fora. But the key – and I think this is where we have had some very useful and constructive and pragmatic discussions – is: how much should you try to do and in what time period, given the fact that the WTO is going on and we've got other negotiations. And so, the reason I'm stressing this is that I don't want you to miss something. I think there is a very constructive dialogue here

going forward on the substance, not just the structure. I just urge you not to get too wrapped up around the structure.

There are elements that we're going to work on, and – as I've said since I took office – I know the history of Mercosul, I know its importance. We have respect for it, we know that it's played a constructive role in the region, and it will play a role within the Alca [FTAA] discussions. And separate from that we'll have discussions as the "4+1," [as] we've had since 1992. So, again, I would just feel it's unfortunate if you leave with a whole sense of structural architecture without a sense that the real challenge here is how to lower barriers to goods so that we can have more trade flow and lower prices to consumers and add growth and income. Thank you.

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